What is claimed is:

1. A method of inhibiting formation of neurofibrillary tangles in an individual, said method comprising: reducing formation of a carboxyl-terminal truncated form of apoE in a neuron in the individual.

- 2. The method of claim 1, comprising administering to the individual an agent that reduces a proteolytic activity of an enzyme that catalyzes the proteolytic degradation of apoE in a neuronal cell.
- 3. The method of claim 1, wherein the reduction in formation of carboxyl-terminal truncated apoE treats a disorder related to apoE in an individual.
- 4. The method of claim 3, wherein the disorder is selected from the group consisting of Alzheimer's disease, coronary artery disease, head trauma, and stroke.
 - 5. The method of claim 3, wherein the apoE is apoE4.
- 6. The method of claim 5, wherein the carboxyl-terminal truncated form of apoE4 is apoE4 (Δ 272-299).
- 7. A transgenic non-human animal comprising a transgene stably integrated into the genome of said animal, wherein said transgene comprises a nucleotide sequence encoding carboxyl-terminal truncated apoE operably linked to a promoter such that carboxyl-terminal truncated apoE-encoding sequences are expressed, and carboxyl-terminal truncated apoE protein is synthesized, in a neuron in said animal, and wherein, as a result of said synthesis of said carboxyl-terminal truncated apoE protein, said transgenic animal develops symptoms of AD.

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- 8. The transgenic non-human animal of claim 7, wherein the transgenic nucleotide sequence encoding carboxyl-terminal truncated apoE is overexpressed, resulting in elevated levels of carboxyl-terminal truncated apoE relative to an animal of the same species not harboring said transgene.
 - 9. The transgenic non-human animal of claim 7, wherein the apoE is apoE4.
- 10. The transgenic non-human animal of claim 9, wherein said carboxyl-terminal truncated apoE4 is apoE4(Δ 272-299).
- 11. The transgenic non-human animal of claim 7, wherein the symptom of AD is the presence of neurofibrillary tangles in a neuronal cell.
- 12. A method of screening for biologically active agents that modulate a phenomenon associated with Alzheimer's disease (AD), comprising:
 - (a) contacting a cell that produces a carboxyl-terminal truncated apoE with a test agent; and
 - (b) determining the effect of said agent on the level of carboxyl-terminal apoE in the cell.
- 13. The method of claim 12, wherein the cell is a cell in a non-human transgenic animal that comprises, as a transgene, a nucleic acid that comprises a nucleotide sequence encoding apoE, and wherein a reduction in the level of carboxyl-terminal truncated apoE results in a reduction in neurofibrillary tangles.
 - 14. The method of claim 12, wherein the cell is an *in vitro* cell.
- 15. A method of screening for biologically active agents that reduce a proteolytic activity of an enzyme that catalyzes the proteolytic degradation of apoE in a neuronal cell, comprising:

contacting the enzyme with a test agent and a substrate that provides a detectable product when acted on by the enzyme; and

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determining the effect, if any, of the test agent on formation of detectable product.

16. The method of claim 15, wherein the substrate is a peptide of the formula $(P_3)_nP_2P_1$ -X, wherein $P_4P_3P_2P_1$ is a peptide, wherein X is a moiety that is linked to the carboxyl terminus of the peptide, and that provides a detectable signal when cleaved from the peptide upon action by the enzyme, P_1 is a hydrophobic residue selected from the group consisting of leucine, phenylalanine and methionine; P_2 is proline; P_3 is alanine, and $n \ge 2$.

- 17. An isolated cell comprising a nucleic acid molecule that comprises a nucleotide sequence that encodes a carboxyl-terminal truncated form of apoE.
 - 18. The isolated cell of claim 17, wherein the apoE is apoE4.
- 19. The isolated cell of claim 17, wherein said carboxyl-terminal truncated form of apoE4 is apoE4(Δ 272-299).
 - 20. The isolated cell of claim 17, wherein said cell is a neuronal cell.
- 21. A method of inhibiting formation of neurofibrillary tangles in an individual, the method comprising: inhibiting interaction of a carboxyl-terminal truncated form of apoE with other components of a neurofibrillary tangle.
- 22. The method of claim 21, wherein the other components of a neurofibrillary tangle are selected from the group consisting of phosphorylated tau and phosphorylated NF-H.

23. A method of inhibiting formation of neurofibrillary tangles in a neuronal cell of an individual, the method comprising: contacting the neuronal cell with an agent that inhibits an enzymatic activity of an enzyme in the neuronal cell that catalyzes cleavage of apoE in the cell to generate carboxyl-terminal truncated apoE.

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24. The method of claim 23, wherein the agent is a peptide selected from the group consisting of Ala-Ala-Pro-Phe (SEQ ID NO:1), Ala-Ala-Pro-Leu (SEQ ID NO:3), and Ala-Ala-Ala-Pro-Phe (SEQ ID NO:4).

- 25. A pharmaceutical preparation comprising:
- a) an inhibitor of a chymotrypsin-like protease inhibitor;
- an agent selected from the group consisting of an acetylcholinesterase inhibitor, a non-steroidal anti-inflammatory agent, a cyclooxygenase-2 inhibitor, and a monoamine oxidase inhibitor; and
- c) a pharmaceutically acceptable excipient.
- 26. A method of treating Alzheimer's disease, the method comprising:
- a) assaying for the presence of carboxyl-terminal truncated apoE in a neuronal cell; and
- b) administering an inhibitor of an enzyme that catalyzes the formation of carboxylterminal truncated apoE in a neuronal cell.

27. A kit comprising:

a composition comprising an inhibitor of an enzyme that catalyzes the formation of carboxyl-terminal truncated apoE in a neuronal cell; and a pharmaceutically acceptable excipient; and

instructions for administering the composition to an individual in need of thereof.

28. A method of treating Alzheimer's disease, the method comprising: administering an inhibitor of a chymotrypsin-like serine protease in an amount effective

to inhibit an enzyme that catalyzes the formation of carboxyl-terminal truncated apoE in a neuronal cell, wherein the enzyme is inhibited and the level of neurofibrillary tangles in a neuronal cell in the individual is reduced.

- 29. A composition comprising:
- a) an agent that inhibits an enzyme that catalyzes the formation of carboxylterminal truncated apoE in a neuronal cell; and
- b) a pharmaceutically acceptable excipient.

30. The composition according to claim 29, wherein the agent is selected from the group consisting of Ala-Ala-Pro-Phe (SEQ ID NO:1), Ala-Ala-Pro-Met (SEQ ID NO:2), Ala-Ala-Pro-Leu (SEQ ID NO:3), and Ala-Ala-Ala-Ala-Pro-Phe (SEQ ID NO:4).

31. A method of reducing the level of carboxyl-terminal truncated apoE in a neuronal cell, the method comprising:

contacting the cell with an agent that reduces activation of an enzyme that catalyzes the formation of carboxyl-terminal truncated apoE in a neuronal cell by $A\beta_{1-42}$, wherein a reduction in the activation of the enzyme results in a reduction in the level of carboxyl-terminal truncated apoE in the cell.